

# An Analysis of a New Aid-Donor's Development Cooperation Policy



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## Acronyms

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AAA – Accra Agenda for Action

CIDA – Canadian International Development Agency

DAC – (OECD's) Development Assistance Committee

EC – European Commission

EU – European Union

LAPAS – Latvian NGDO platform

MFA – Ministry of Foreign Affairs

NATO – North Atlantic Treaty Organization

NGO – Non-governmental organization

NGDO – Non-governmental development organization

OECD – Organization for Economic Co-operation and Development

ODA – Official Development Assistance

PAC – Pacific, African and Caribbean countries

PRSP – Poverty Reduction Strategy Paper

## Introduction

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*“Many poor countries today pretend to reform while rich countries pretend to help them raising cynicism to a pretty high level”*

(Sachs, 2005: 266).

*“Aid effectiveness should not be seen as a residual task but as the core agenda. The EU needs to put aid effectiveness on top of its priority list and ensure that all its institutions, political processes, and policies, instruments and procedures support aid effectiveness.”*

(EU Commission Staff Working Paper, *Aid Effectiveness after Accra*, 2009: 23).

To counter the crisis of belief in the development co-operation effectiveness, in 2005, *Paris Declaration for Aid Effectiveness* and, in 2008, *Accra Agenda for Action (AAA)* were signed by more than hundred different countries in the world. Inspired by these documents the EU attempts to achieve more coordinated aid; each EU member state would focus on a little group of priority countries and specialize in specific spheres of activity thus achieving economies of scale and resulting in estimated “efficiency gains of up to € 3 – 6 billion per year” (EC, *Aid Effectiveness*, 2009). Consequently, on the developing country side, this “efficiency gain” would lead not only to lighter bureaucracy and accountability burden but also to less choice in choosing its partners and fewer ideas for different development dilemmas; logically, many dispersed attempts to improve aid effectiveness can be more costly than coordinated aid but they can also produce new, fruitful insights.

This issue of donor diversity becomes even more important and interesting when one considers the role of the “new” EU member-states that now, since the entering of the EU, have to develop their own development co-operation policy as aid-donors. The “new” EU member-states have not only experienced a fast and recent transition from state-controlled economy and one-party political system to market-based economy and democracy but also have been on the other side of the development co-operation as aid-recipient countries. Therefore, it is worth investigating whether instead of being incorporated in the EU “official development assistance ideology” these countries, with their different development-related experiences, can offer other ways for increasing aid effectiveness.

In order to tackle this issue, the paper will investigate a specific case study: the development co-operation policy of Latvia, one of the new member states that joined the EU in 2004. The reason for picking Latvia as the object of investigation is very simple, the author of this research paper is Latvian which enables to access the maximum amount of information that is available on this topic.

### Research Question

The main research question addressed in the paper is: *Is Latvia’s Development Co-operation Policy good?* With the independent variable – Development Co-operation Policy – is meant Latvia’s Official Development Assistance (ODA) administrated by the MFA’s Development Cooperation Policy Division to bilateral and trilateral co-operation projects or programmes. It is not in Latvia’s hands to decide domestically how its multilateral aid will be spent; therefore, this component of Latvia’s ODA

will be disregarded in this paper. The dependent variable, “good”, probably is one of the most vague and hard-to-define concepts that can be found, but, since different partner countries face different needs, no clearer than a mere “good” is the goal of development co-operation. It is important to understand that it is hard to assess whether the short term development objectives, such as, improvement of the education sector, will eventually lead to the attainment of the long term goal, namely, sustainable development (Riddel, 2009: 51), hence insisting on a rather value-bound development co-operation policy. However, these values, i.e. values/attributes determining good development cooperation policy, differ across different agencies, institutions and agreements. Therefore, in order to operationalize the dependent variable – good development cooperation policy –, at first a sub-question – *What is good development cooperation policy?* – will be answered.

## **Limitations**

The research suffers from two main limitations. First of all, due to time constraints, selection of theory and empirical evidence on what is good development co-operation is limited. Therefore, even though this research attempts to take into consideration as many perspectives as possible and offer a sound definition of good development co-operation, it (i.e. the definition of good development cooperation policy) remains open for a debate. Secondly, due to the lack of data, the depth of analysis of Latvia’s development co-operation is limited. There are no programme or project evaluations available, thus, making assessment of on-ground impact impossible. All that the research can analyse is what kind of development cooperation, i.e. development projects, Latvia’s development cooperation policy produces, and not the impact of these projects in Latvia’s partner countries.

## **Overview**

The layout of the paper is as follows: at first, the methods employed in this research will be presented. This will be followed by a brief description of the independent variable, i.e. Latvia’s development cooperation policy. Then, by looking at various sources, a presentation of and discussion about different categories of “good” development co-operation policy attributes will be provided. Next, through relevant indicators that have been determined by answering to the sub-question and, thus, operationalizing the dependent variable, the “goodness” of Latvia’s Development Co-operation Policy will be assessed. Lastly, some policy recommendations will be provided.

# **Methods**

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## **Literature Review**

This research has been based on a wide variety of both primary and secondary literature sources. Policy documents, laws, regulations, reports, minutes and alike have been used to sketch the picture of the current Latvia’s Development Co-operation Policy in effect. A considerable body of documents prepared by different organizations as well as scholarly literature has been used to select indicators for assessing the “goodness” of development co-operation policy.

## Interviews

Multiple face-to-face and e-mail-based interviews have been conducted to clarify, verify or assess Latvia's Development Co-operation. Representatives from Latvia's Ministry of Foreign Affairs, nongovernmental development organizations, an independent project evaluator and Latvia's bilateral and trilateral partners have been contacted to get more insights on Latvia's Development Co-operation Policy and its effects. For a full list of interviews, look at the section "List of Interviews".

## Policy Analysis

Drawing on the body of material that, through the literature review and interviews, has enabled to sketch a picture of Latvia's Development Co-operation and create a framework for assessing "goodness" of a development co-operation policy, a policy analysis of Latvia's Development Co-operation Policy will be conducted. As policy analysis, this is an *evaluative* and, in this case, *qualitative research*. In the assessment of the "goodness" of Latvia's development co-operation policy, it has been measured in nominal terms.

## Independent Variable: Description of the Current Latvia's Development Co-operation Policy

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Latvia is a newcomer in the development co-operation field and, in a very brief period, had to transform from an aid-recipient to an aid-donor country. Actually, for some time it has simultaneously played both roles. Since 1999, when it was still receiving assistance from other countries, Latvia has occasionally assisted other countries with humanitarian and development aid (*EC Homepage, Development*). However, up until 2003 the term "development co-operation" had not been translated to Latvian (Kāle, 2007: 44); neither there was a development co-operation policy nor an institution responsible for implementing it. With the first Development Co-operation Policy Plan in 2005, Latvia as donor-aid country implemented its first development assistance projects in Georgia, Belarus and Moldova. Since then it has extended its projects also to Ukraine, Afghanistan and, to some extent, Kyrgyz Republic.

In 2008, Law on International Assistance was issued; its purpose is to "guarantee effective and transparent planning and implementation of international assistance rendered by the Republic of Latvia". It stipulates that, operating under the supervision of the Ministry of Foreign Affairs (MFA), Latvia should have its Development Co-operation State Agency (Law on Int. Assistance sec.7), which would be responsible for planning and implementing Latvia's Development Co-operation. At the given moment, Latvia does not have this agency; MFA's Development Cooperation Policy Division, currently consisting of 5 employees, takes care of the policy. The department (and in future the agency) prepares two main planning documents: a five-yearly Development Co-operation Policy Programme and a yearly Development Co-operation Policy Plan. Both of these documents are followed up by an informative report. In addition, an intermediate report, is prepared in the middle of the 5-year programme. As of now, only the yearly reports and one intermediate report (2008) have been produced. Furthermore, these reports are more informative than evaluating, they have

not been prepared by an independent evaluation body but by the Development Cooperation Policy Division itself.

Despite the short history and limited capacity of Latvia's Development Co-operation, it has taken a certain shape and developed its own specifics. Thus, now, before moving on to the analysis of the viability of this development co-operation model, it will be looked at the scale, type, and manner of Latvia's development co-operation policy.

### **Scale**

Mainly due to the limited sources, Latvia's development co-operation projects have been very small in terms of money spent per project. The government has implemented projects for which it has spent as little as 0 LVL (by raising funds from the Canadian International Development Agency (CIDA)) on a project that aims at building Ukrainian court system capacity till 70284 LVL on a project in Afghanistan where, in co-operation with European Commission, Latvia has built three courts and trained judges and other court employees. In the period from 2005 till 2010 an average spending per project was 10660 LVL (for more details see Appendix 1).

### **Latvian implementers**

The two main policy implementers on the Latvian side are the government, i.e. line ministries, and the NGO sector, with the share of the NGO spending increasing every year. In 2005, only 22% of Latvia's bilateral ODA was allocated to the NGOs while, in 2009, NGOs were receiving around 48% of Latvia's ODA. In 2009, a third type of implementers – the private sector – received a substantial 31% of the ODA pie (Rep. of the MFA's Development Cooperation Policy Division, 14 April 2010). Also municipalities, businessmen and universities partake in Latvia's development co-operation implementation. Part of the funds is being channelled through Latvian embassies in its partner-countries. When MFA announces development co-operation grant competitions, independent experts are invited to evaluate the applications. Thus ensuring that the best-quality, yearly plan priority-fitting (and not the most politically attractive) projects win the grant.

### **Choice of partner-countries**

Latvia directs its development assistance mainly to 5 countries. In 2005, Latvia started its co-operation with Georgia, Moldova and Belarus. In 2007, also Ukraine and Afghanistan joined Latvia's partner-country group. In addition, on an ad-hoc basis it has assisted Kyrgyz Republic. According to OECD's Development Assistance Committee (DAC), Afghanistan is the only partner-country that falls in the category of the Least Developed Countries, followed by Kyrgyz Republic considered as a Low Income Country. Georgia, Moldova and Ukraine are recognized as Lower Middle Income Countries, while Belarus is categorized as an Upper Middle Income Country (DAC List of ODA Recipients, 2008).

### **Afghanistan**

However, it must be noted that Latvia's co-operation with Afghanistan, as compared to the other four states, has taken up a very different shape and, thus, makes generalizations about Latvia's Development Co-operation Policy difficult. First of all, development assistance to Afghanistan seems to be a highly political decision. 12 934 LVL in 2009 (Ministry of Internal Affairs, 2009) and 10 000 LVL in 2010 (*Diena*, 2010), when practically all bilateral aid had been cut due to the consequences of the

2008 economic crisis, outside of the regular Development Cooperation Policy Division's budget was allocated specifically (and exclusively) to Afghanistan. Consequently, this leads to a different decision-making procedure; there is a pressure to spend the allocated amount of money irrespective of the possible obstacles (e.g. no NGOs willing to extend their activities to Afghanistan) to implementing a good development co-operation policy in Afghanistan. Furthermore, as demonstrated by the implemented projects, projects have a higher per-project spending and investment in physical infrastructure, which is very different from the general pattern of Latvia's Development Co-operation Policy. Therefore, for the purpose of this research, it makes more sense to exclude Afghanistan from the analysis.

### **Areas of development co-operation<sup>1</sup>**

According to the Development Co-operation Policy Programme, the main priority areas of Latvia's development co-operation are good governance, economic reform, security, integration into to transatlantic space and the EU, and promotion of education, culture, social development, healthcare and environment protection (MFA *An Informative Intermediate Report*, 2008: 5; Dumpe, 24 Feb 2010). An analysis of the implemented projects over the last 5 years reveals that particularly many of the implemented projects aim at promoting security, enhancing democracy ("rule of law", strong civil society, good municipality management) and enabling trade. Currently the EU development co-operation is focused on poverty eradication and good governance. Even though with some of its projects Latvia attempts to target the poorest (as with the Life-long education project in Georgia in 2009), it concentrates its efforts more on enhancing democracy. As Kāle puts it "instead of a "developer" and "poverty alleviator", Latvia clearly sees itself as a "democratizer" of the former Soviet Union countries, and a regional "peace establisher" (Kāle, 2007: 63); it has been even called as a "democracy export country" (Krūma, 2006: 129). This emphasis is clearly illustrated by 44 (out of 106 in total during the 2005-2009 period) democracy enhancement-related projects. The activities range from Belorussian NGO leader professional trainings (2008) and fostering environment for philanthropy that would enable NGO development in Moldova (2008) till improving judiciary system in Moldova (2007) and assessing municipal government in Georgia (2006).

Big part of Latvia's development assistance is being directed to security-related issues. It assists its partner-countries in questions related to the integration into the EU and NATO and organizes experience exchanges between border guards and techniques guaranteeing better document testing. Latvia's MFA strongly believes that these kinds of projects are necessary as "building blocks", "without security we cannot talk about development" (Dumpe, 24 Feb 2010).

Another substantial part of Latvia's funding goes to ensuring conditions that would enable trade. It assists countries in improving food inspection systems in accordance with the EU standards and fostering entrepreneurship. Also the two ad-hoc projects implemented in Kyrgyz Republic were trade-related.

### **Knowledge/policy transfer based**

Most of Latvia's development co-operation is knowledge/policy transfer based. In the majority of projects during the period between 2005 and 2009 the main "good" exchanged was knowledge.

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<sup>1</sup> For more information on projects see Appendix 1 or <http://www.mfa.gov.lv/en/DevelopmentCo-operation/Projects/>

Whether through a summer school, discussion group, NGO platform, workshop, exchanges or foreign visits, the majority of Latvia's development co-operation is managed in this way, thus, making Latvia's development cooperation to acquire a distinct character. Also Latvian population (SKDS, 2009: 9) and LAPAS, Latvian NGDO platform, with its activities support experience exchange / knowledge transfer (particularly knowledge that Latvia has acquired during its transition period in 1990s) between Latvia and its partner-countries (LAPAS, *Strategy for 2005 – 2010*: 10, 12).

### **Self-interest**

Another peculiarity of Latvia's development co-operation is its unhidden self-interest agenda. The MFA believes (and has stipulated in its 5-year development co-operation policy programme) that by balancing common interests with the partner-countries and diversifying fields of co-operation, through development co-operation it is possible to increase Latvia's security, promote Latvia's economic well-being and show Latvia as a successful "reform state" (quoted in LAPAS, *Strategy for 2005 – 2010*: 3). Even the NGO sector does not see development co-operation as a one-way aid flow. In their eyes it is equal involvement and exchange of resources in the name of mutual development (Idem, 2).

Even though, in order to avoid making politically attractive decisions, independent experts are invited to judge the quality of grant competition applications, there have been clear instances when Latvia's development co-operation has been affected by political considerations. There have been lower levels of development assistance to Belarus in order not to irritate Belorussian political leaders and impede Latvia's trade relationships with the state (Kāle, 2007: 60).

### **Independence of the Policy Making**

Maija Kāle recognizes that the ten new member states that joined the EU in 2004, with regard to the development assistance, were obliged to adopt the EU position, i.e. values, standards and norms (Kāle, 2007: 36). Although it is true that Latvia plans its development co-operation within the theoretical and normative framework of the EU, it is looking for its own niche in the field (LAPAS *Management Report*, 2010: [4]; Dumpe, 24 Feb 2010). At the same time, some Latvian development workers recognize "that it is psychologically hard for the old Europe to realize that (...) now [the new EU member states] can actually teach something, and sometimes even better than the old EU member states can do" (quoted in Kāle, 2007: 54).

## **Dependent Variable:**

### **What is Good Development Cooperation Policy?**

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OECD Development Assistance Committee (DAC) offers 5 general criteria for evaluation development cooperation policy, namely, (1) relevance, (2) effectiveness, (3) efficiency, (4) sustainability, and (5) impact (DAC, 2010). Nevertheless, even such a general criteria is of limited use for this research. For instance, it can be questioned how important and to what extent "efficiency" is an important attribute for good development cooperation. Besides, due to the lack of data, it would be practically impossible to assess relevance (particularly relevance for the recipient country) or

impact of implemented projects. Therefore, a more detailed discussion on what is good development cooperation should be carried out before analyzing Latvia's development assistance.

In the development assistance discourse the independent variable – good development cooperation – has multiple parameters/attributes that are used for describing, analysing and devising it. These parameters/attributes “hide” indicators that indicate good development cooperation policy. Different sources talk about different (even contradicting) indicators (indicating a good development cooperation) within the same categories (e.g. in the category “scale” some scholars believe that there is no point in small scale projects while others believe that large scale projects are too dangerous to be pursued). Furthermore, some of the suggested indicators are closer to the output-end while other to the outcome-end of the development cooperation policy, therefore making policy evaluation even more complex.

In order to devise maximally good indicators for analyzing Latvia's development co-operation policy, two tables of diverse “good” development assistance attributes offered by different organizations, agreements and scholars are provided in the next section. The tables attempt to produce a relatively exhaustive list of possible aid-related indicators. At the same time, it must be recognized that all scholars and schools of thought could not be included; only the most well-known, pro-development assistance authors have been incorporated. Similarly, only indicators that are directly linked to outputs that can be produced with development assistance means have been considered in this table; therefore, debt relief- and trade-related development cooperation points have not been reflected.

In the first table, there has been an attempt to group the offered attributes, but, since some of them relate to the “what?” question (e.g. economic growth-promoting vs. MDG-oriented development co-operation policy) while others to the “how?” question (e.g. top-down vs. bottom-up), thus, further contributing to the great variety of attributes, grouping was not always possible. The second table offers more paradigm-like approaches to the development cooperation; therefore grouping of “good development co-operation policy” attributes in parameter-groups was not attempted.

Some of the declarations (and, hence, indicators) have been born out of the previous ones, therefore, leading to some repetition. This repetition can show a mere reflection of the ruling discourse in the development co-operation world and, hence, does not make them more valuable than some of the less-often mentioned indicators.

Some of the attributes put forward by different sources are contradictory. Therefore, in order to devise indicators that will be used for defining what a good development co-operation policy is, the table will be followed by a discussion of every single parameter/attribute. All the attributes provided in the two tables have been discussed in at least one of the offered parameter groups.

**Attributes: Table I**

Source Category	Monterrey consensus 2002 <sup>2</sup>	UN Millennium Project 2005 <sup>3</sup>	Commission for Africa 2005 <sup>4</sup>	Aid Watch Report <sup>5</sup>	Paris Declaration & Accra Agenda for Action <sup>6</sup>	Latvia's Ministry of Foreign Affairs
<b>Ownership of the project/ programme</b>	Recipient-country ownership	Recipient-country ownership (still, when describing how aid should be provided shifts away from this ownership principle (Riddell, 2008: 45)		Pro-Paris Declaration & Accra Agenda for Action	Owned by the partner; used partner country systems for implementation	Latvia involves its (i.e. Latvia's) society in determining priority countries and issues
<b>Relationship between the aid-donor &amp; aid-recipient</b>	Donor-recipient partnerships as a basis for all aid-giving; Aid-recipients contribute to aid-effectiveness		Aid aligned with the recipient country priorities	Pro-Paris Declaration & Accra Agenda for Action	Close co-operation, co-ordination with the partner country's priorities	Aid co-ordination with the recipient countries
<b>Aid-donor's relationship with other donors</b>	(big donors) harmonize <sup>7</sup> their efforts; reduced transaction costs; coherence between different donors 'greater co-	Greater co-ordination		Pro-Paris Declaration & Accra Agenda for Action	Avoiding parallel implementation structures	Co-ordination, learning from more experienced donor countries; strengthen Latvia's role as a new donor-aid country

<sup>2</sup>Produced by heads of state of UN member countries (Riddell, 2008: 44)

<sup>3</sup> *Millennium Development Project*, an independent body to monitor MDGs' progress, led by Jaffrey Sachs in 2005 prepared a paper titled „Investing in Development: A Practical Plan to Achieve the Millennium Development” (Riddell, 2008: 44)

<sup>4</sup> Consists mostly African and UK leaders, formed by the British government (Riddell, 2008: 45)

<sup>5</sup> Annual report on EU development spending (CONCORD, 2010); prepared by CONCORD, European confederation of relief and development NGOs.

<sup>6</sup> (High Level Forum. *Indicators of Progress*, 2010).

<sup>7</sup> requires donors to co-operate closely with each other, thus, minimizing the administrative complexity that the aid-recipient countries have to deal with and exploiting each donor's competitive advantage in the field of development co-operation

	operation among existing institutions is needed'					
<b>Scale (project, programme, sector-wide approach, budget support)</b>				Limit fragmentation of aid, chose few partner countries	Use of common agreements → big part of provided as programme-based	
<b>Durée (long vs short)</b>		Longer-term framework	Provided within longer time frame	Long term, predictable	Long term, predictable	Aspire to have longer term projects
<b>Accountability (incl. monitoring , transparency and evaluation as basis for accountability)</b>			Strengthened accountability at the recipient end	Demands highly transparent work	Shared analysis	Secure regular project & programme evaluation
<b>Conditionality</b>	untied aid		reduced conditionality	Untied aid	Untied aid; cross-cutting issue: gender	
<b>Goal/focus</b>	ODA targeting the poor	ODA directly linked to achieving MDGs	Channelled aid to where most needed <i>and best used</i> ; Need for accelerated growth to address poverty	MDG oriented	Results oriented frameworks, assessed against the partner country's priorities	MDG oriented
<b>Other</b>				No geopolitical interests		Development co-operation as a useful tool for its foreign policy
<b>Other</b>				Sees climate finance, debt cancelation, (within donor country) refugee costs, student fees as aid inflation, not genuine aid		Inform Latvia's public about the need of development co-operation

**Attributes: Table II**

Millennium Development Goals	Paul Collier <sup>8</sup>	Jaffrey Sachs <sup>9</sup>	Amartya Sen <sup>10</sup>	William Easterly <sup>11</sup>
1. Eradicate extreme poverty and hunger	A set of international charters designed for the developing countries (e.g. Extractive Resources Transparency Initiative)*	Differential diagnosis (checklist in Sachs, 2005: 84)	Enhancing Political Freedom	Accountable to the poor
2. Achieve Universal Primary Education	Aid for building infrastructure	Avoid curing symptoms: A problem cannot be solved by targeting just the specific problem; must be seen/solved in a greater context	Enhancing Economic facilities	Search & experiment what works the best in a given area
3. Promote Gender equality and empower women	Technical assistance	Monitoring & evaluation are essential (rigorous comparison of goals and outcomes); in assessment outputs	Enhancing Social opportunities	Evaluate, based on feedback from the intended beneficiaries an scientific testing

<sup>8</sup> According to Collier, the bottom billion (i.e. the poor) is poor because these countries have fallen at least in one of the following traps: (1) conflict, (2) natural resources (subjected to the Dutch disease), (3) landlocked with bad neighbours, (4) badly governed. He argues that foreign aid, while being crucial in post crisis situations, is not nearly enough to aid the poor, and, therefore, describes a good development policy by the parameters put forward in the table (Collier, 2007).

<sup>9</sup> Sachs believe that the greatest problem for the developing countries is to overcome the poverty trap and, therefore, provide an equal opportunity to participate in the markets: „Economic development works. It can be successful. It tends to build on itself. But it must be started” (Sachs, 2005: 73). He believes that development workers should learn from clinical medicine & overcoming the poverty trap requires a prescription – a good plan (such as the poverty reduction strategy paper) that would guide institutions to think correctly about development problems (Idem, 74).

<sup>10</sup> Sen sees development as freedom: by removing multiple unfreedoms that people might suffer from, people reach empowerment that enables them to be responsible for their own lives. Sen believes that freedom is central process of development for two distinct reasons: (1) the effectiveness reason (thus, freedom as a goal), (2) the evaluative reason (freedom as a mean). (Sen, 2001: 4) Due to the evaluative aspect of freedom, these freedoms can be used as indicators for assessing development co-operation policy and checking whether development assistance, in the first place, contributes to the development, i.e. expansion of freedoms.

<sup>11</sup> Easterly is seen as the biggest opponent to Sachs (& many multilateral agency) proposed planned, top-down approach to the development. Instead, he believes in experimental, small-scale and market force-based development co-operation that, according to him, are more prone to reach the needs of the poor (Easterly, 2006).

		should matter more than inputs <sup>12</sup>		
4. Reduce Child Mortality	Targeted military interventions (in some cases the only way to stop civil wars)	Ethics, code of conduct	Providing Transparency guarantees	Reward success & penalize failure (generally in the aid-donor word); specialize in what the specific aid-donor is good (at a more individual level)
5. Improve Maternal health	Improving conditions for trade, i.e. lowering trade barriers*	Harmonized aid	Providing Protective security	keep monitoring, do not engage with failing agencies
6. Combat Hiv/AIDS, Malaria and other Diseases		Predictable aid with timely disbursements	Responsibility for their own development	
7. Environmental sustainability		Harmonized aid		
8. Develop a Global Partnership for Development		Aid must support MDG-based poverty reduction strategy		
		PRSP should include a public management plan, which also talks about things like training		

<sup>12</sup> (Sachs, 2005: 80) Implies two ideas: (1) aid quality matters more than quantity, (2) assessment at the “developing country end” matters more than at the “developed country end”

\*Not in hands of a single country to change, therefore, not considered in Latvia’s Development Co-operation Analysis

## Scale (project, programme, sector-wide approach, budget support)

Scale of development cooperation can differ from project- to program-basis to sector-wide approaches (SWAPs) to budget support. Understandably, different scales of development assistance intervention have different advantages and disadvantages.

William Easterly is one of the main proponents of *small-scale*, market forces-governed development co-operation policy approach. He believes that there is no utopian blueprint that will work for all problems and bids to “stop wasting our time with summits and frameworks” (Easterly, 2006: 368). According to him, a sound development co-operation policy is ***built on scientific evaluation and free choice*** (Easterly, 2006: 373), which can be managed only with small-scale projects that are offered and demanded on the development co-operation market. This “market” to some extent<sup>13</sup> works as a natural evaluator of the goodness of development intervention, i.e. market rewards good solutions and penalizes bad solutions. Besides, the market, especially when based on a good legislative basis, welcomes ***diversity of actors*** that could bring ***innovative solutions***. Small-scale development assistance could invite not only state agencies and development NGOs but also business community or immigrant community that could offer interesting development cooperation tools (WRR, 2010: 3). So, if donors were freed from the existing bureaucratic shackles, an immense creative potential for finding better solutions for the poor would be released (Easterly, 2006: 373).

As each coin has two sides, also development cooperation based on projects has its disadvantages. The same (previously praised) diversification of actors leads ***to fragmentation of development co-operation*** (CONCORD, European Workshop, British and Danish representatives), ***increased transaction costs*** and<sup>14</sup> ***heavier bureaucratic burden*** for the recipient countries. In addition, this fragmentation and the need for NGOs and institutions to “survive” leads to an unhealthy competition between the donors and, therefore, ***wasteful use of resources*** - unnecessary duplication of efforts and “invention” of new tools that are not always needed (Riddell, 2008: 87). Furthermore, the European Commission believe that there is ***higher risk of conditionality*** in project-based approaches, in budget support, on the other hand, conditionality is easier detectable (EC, *Aid Effectiveness after Accra*, 2009: 15). Still, with careful policy planning ***these disadvantages can be offset***. For instance, if the state development assistance agency announces grant competition directly to its partner country’s NGOs, municipalities, line ministries etc., the local NGOs have to offer more added value through specialization and concentration, which further leads to more effective tools (WRR, 2010: 4). Therefore, ***diversification of donors*** seems to be ***welcomed***. Even at a higher institutional level of development cooperation, the Dutch Scientific Council for Government Policy sees a need for establishing institutions that could compete with the World Bank (WRR, 2010: 3).

On the other hand, Jaffrey Sachs, the main proponent of ***large-scale*** interventions, argues that projects just aid the symptoms and do not ***treat the cause*** of development problems. The main line of reasoning for large scale investment is the alleged need for “packages of investment to attack (..) ills from a variety of directions” (Sachs, 2005: 257) and ***pull the country out of a poverty trap***. Sachs sees that the extreme poor lack 6 different types of capital: (1) human capital, (2) business capital, (3)

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<sup>13</sup> Still, all development co-operation could not be managed purely by market forces (and that is not what Easterly proposes) because „the market” does not have values or ethical codes of conduct; there still is a need for development co-operation policy.

<sup>14</sup> due to more partners and requirements that they have to deal with

knowledge capital, (4) infrastructure, (5) natural capital, and (6) public institutional capital (Idem, 244, 251). The former three are produced by households and can be supplemented by microfinance and the latter three are produced by the state and can be supplemented by budget support. However, this simple view does not reflect the reality. For instance, public institutional capital can be boosted by a pressure from the **non-governmental sector**, which in the first place **must be developed**: formulate its needs, find its place and acquire the right tools for political action. Relatively **little of this can be done solely via budget support**. Besides, **large-scale interventions put more at stake** and, in case of a failure, can lead to tremendously bad impacts (we shall not forget the bitter lessons taught by the structural adjustment policies in 1970s).

To test whether the poverty trap theory works, under Jeffrey Sachs's supervision a project called *Millennium Villages* was initiated. The project expires in 2015 and the goal is to test whether carefully planned, holistic (and top-down) development co-operation can lift the participating villages out of the poverty trap. Nicholas D. Kristof, a New York Times columnist, has been following the progress in Koraro, one of the Millennium Villages in Ethiopia. Although, up to this point, the project has been relatively successful, **doubts about its sustainability** and up-scalability have remained (Kristof, 2010). Kristof recognizes the difficulty to find an appropriate exit policy; the project is **largely dependent on aid inflows**. Furthermore, the project is resource-costly, thus, despite the enthusiasm from some partner countries (e.g. Ghana), its **up-scalability and efficiency is debatable**.

In between project-based and budget support-based approaches, there are also SWAPs and programme-based approaches to the development cooperation. Unfortunately, they do not offer the golden middle route to successful policy and have their own grain of salt. Because of attribution problems, it is **difficult to assess the impact of SWAPs** (Riddell, 2009: 57) and tell whether it is better than project-based assistance. Furthermore, there is **evidence suggesting that SWAPs lead to increased transaction costs**, (idem, 59) thus, to a large extent, beating the purpose of shifting towards a larger-scale project.

Basically, both large-scale and small-scale approaches, when controlled for their disadvantages with a good development cooperation policy, can lead to good results. Nonetheless, despite the coordination and up-scaling efforts by the EU, some EU countries **stick to project-based assistance because their limited capacity** does not allow for a different approach (EC, *Aid Effectiveness after Accra*, 2009: 13). Project-based assistance seem to be easier to manage and less risky.

### **Implementation (top-down vs. bottom-up)**

Development assistance can be managed in two main ways: bottom-up and top-down. Although the link is not implicit, almost always bottom-up approach is linked to small-scale assistance, while top-down to large-scale interventions. **Large-scale interventions** demand the recipient country to have a Poverty Reduction Strategy Paper (PRSP) which fundamentally, even if it includes decentralization as one of its goals, **is a top-down approach**. It is practically impossible to conduct a large-scale development assistance from bottom-up. **Small-scale cooperation has the capacity to be truly bottom-up, but is not such per se**. In a form of conditionality on the donor's side or in the case of a recipient NGO not engaging with the local community, small-scale interventions can still be **top-down**. This, however, beats the purpose of small-scale intervention and, therefore, **should be prevented from happening**.

## Durée (long vs. short)

There seem to be great **consensus on the need for long term aid**. Multiple reasons have been provided for this. According to the European Commission, the combination of **volatility and lack of predictability of aid flows** leads to the “highest cost associated with ineffective aid practices” (EC, *Aid Effectiveness Agenda*, 2009: 71). It “(..) lead[s] recipients to be extremely **reluctant to make full use of the aid which is provided** (..) for fear that current aid levels will not be sustained without funds, for example, to pay the salaries of teachers recruited with aid not guaranteed to be provided in future.” (Riddell, 2009: 68) Furthermore, if aid is not provided long-term, there is a **risk of massive layoffs, closures of government facilities and inflation** (Sachs, 2005: 277). On top of that, Jeffrey Sachs believes that lack of funding **undermines motivation**: “chronic lack of donor financing robs countries of their poverty-fighting zeal” (Sachs, 2005: 267).

While motivation is dependent on more than just aid flows, the other **reasons** for long-term, predictable aid flows **seem to be valid particularly when aid is meant to be incorporated in the budgets** through poverty reduction strategies. This approach aims to help the countries get out of the Millennium Development Project & Jeffrey Sachs coined “poverty traps”, which would lead to sustainable growth. At the same time it should be realized that development aid, particularly long-term, predictable development aid, “can foster dependence and intervene – for better or worse – in local power relations”, (WRR, 2010: 3) thus **demanding careful attention to clear termination dates and exit policies. Short-term development assistance seems to be more protected from increased dependency threats.**

## Ownership of Development

Development (project/programme) **ownership** by the recipient country is seen as an increasingly important issue. The benefits of it can be categorized in three main groups. First, ownership leads to **better development policy**. Simply, partner countries are more likely to be better experts on their own cultural, social, economic, political context and natural environment, as well as, more equipped to identify the most urgent problems. Second, development ownership by the recipient country leads to higher self-confidence, better **commitment and higher motivation** on the partner side to deliver better results. (Riddell, 2009: 66) Third, development ownership might lead to **better governance** in the developing country. If the partner is fully responsible for bearing fruits with its development policy, its society will demand it (i.e. the government) to actually bear these fruits. Badly managed development cooperation in a sense undermines some<sup>15</sup> accountability mechanisms that to some extent are in place even in authoritarian regimes (Moyo, 2009).

Now, the question is how a donor’s development cooperation policy should look like in order to grant this ownership to the recipient country. First of all, “for doing better entails being more modest” (Kremer *et al*, 2009: 24) and there is a need for **a shift from conditionality** (implying that the donors know how development should be managed) **to ownership** (leaving development in the partner country’s hands) (Riddell, 2009: 66). Different approaches to development call for different means to ensure it. Within the **large-scale approach**, to secure partner country ownership, it is crucial to have a Poverty Reduction Strategy Papers (**PRSP**) to which aid-donor countries must align. So, policy should be based on a country-specific analysis (WRR, 2010: 2), which is used as a basis for

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<sup>15</sup> Not that it is a desired result, but once the society gets too upset with the public services that have (not) been delivered, it can revolt.

designing programs and institutions that are equipped to deal with the identified problems (Sachs, 2005: 88). However, **this is a difficult task to manage**. PRSPs have been criticized as being externally driven or sometimes even externally written (Riddell, 2008: 47). And even when PRSPs are domestically written, sometimes donors fail to align to the ownership principle (Idem, 48). Also CONCORD criticizes the EU for its “relatively superficial action on supporting democratic ownership”, despite the fact that it puts forward the Paris Declaration and AAA as cornerstones for its development cooperation policy (CONCORD, “AidWatch” analysis of European Commission “April package”, 2010:7; refers to the EU Staff Working Document on Financing for Development, 2010). On the other hand, if a project is *truly* owned by the partner country there is no need for a PRSP to which the donors must abide. Most likely donors will never give big amounts of money away just like that to the partner country governments (also advantageousness of this can be debated), but **true ownership is possible within the small-scale approach** to the development co-operation. If partner country’s NGOs, municipalities, line ministries etc. directly apply for funding to the donor country, they, as initiators, planners, and implementers, are also owners of the specific development co-operation project/programme. Also the Dutch Scientific Council for Government Policy advises its government to switch from NGO(donor)-to-NGO(recipient) development co-operation to more **state(donor)-to-NGO(recipient) development co-operation** policy thus minimizing transaction costs and granting better recipient country ownership (WRR, 2010: 4). However, for this to happen, the donors’ state agencies should make sure that project implementers do not put forward any forms of conditionality.

## Conditionality

On the other end of ownership stands the dreadful concept of conditionality. Actually, when ownership entered the development cooperation world, it was supposed to substitute conditionality entirely. Unfortunately, it has not been the case; instead the definition of “conditionality” has changed so that it can be kept in place while still insisting on (or, pretending to grant) recipient country ownership.

At first, we shall look at the arguments why **conditionality is preferred to be absent** in a good development co-operation policy. First of all, as recognized by the European Commission, “Countries often face hundreds of **different types of conditionality from various donors**. These often involve **contradictory policy and strategy advice** which may present an unmanageable burden on a partner country.” (EC, *Aid Effectiveness Agenda*, 2009: 40) Furthermore, the costs of conditionality include: (1) **undermining of country ownership**, (2) reduction of resources available for countries with good policies and sincere reformers, (3) **waste of resources** on poor policy environments (EC, *Aid Effectiveness Agenda*, 2009: 41), which all decrease quality of the development cooperation policy.

Nevertheless, there are couple of “**fundamental principles**” such as human rights, democracy, environmental sustainability, gender equality and rule of law that the donor countries would like to keep in place and, therefore, “**should not be interpreted as conditions**” (EC, *Aid Effectiveness after Accra*, 2009: 14). Unfortunately, conditionality, also in the coat of “**fundamental principles**”, **can negatively affect** results especially in such a culture-sensitive field as development cooperation.

Even though there is a higher **risk off conditionality in project-based approaches** (EC, *Aid Effectiveness after Accra*, 2009: 15), it is less harmful within the small-scale approach. Small-scale development co-operation tend to have many alternative partners and therefore offer the recipient country a choice between different ‘conditionalities’ and the partner can chose the type of

conditionality that it is ready to put up with. **Conditionality in large-scale interventions is more harmful** because of its inescapability, lack of alternatives.

In the development cooperation world, the one **type of conditionality that has been universally condemned is tied aid**. Tied aid leads to inefficient use of resources, increased dependency and short-lasting effects. There is no context in which tied aid would be seen as favourable for development cooperation and by all means should be avoided.

### **Self-interest**

Development co-operation has always been a very politically charged or, at least, politically sensitive field of activity. While **tied aid** is unanimously **condemned type of donor self-interest** in development co-operation policy, there are many other forms in which donor's self-interest can manifest itself. Another type of self-interest that is perceived as negative by the NGO sector is geopolitical interest (CONCORD *AidWatch*, 2010). **Geopolitical interest** is being defined as choosing one's partner countries or allocating one's development aid based on security, migration and peacekeeping missions, instead of poverty reduction goals. While development aid can indirectly contribute to these goals (or, in general, to a "safer world"), its main goal should be poverty reduction and improved border control.

Interestingly, **when controlled for the "bad" sort of self-interest**, to some extent, **it is encouraged** in the development cooperation relationships. It has been recognized that **ODA increases are an issue of political choice, even in difficult budgetary situations** (CONCORD, "AidWatch" Analysis of European Commission "April package", 2010: 4; refers to the EU Staff Working Document on Financing for Development, 2010) and, hence, it **should be made politically attractive**. "If you as an MP present ODA as a charity, no one will support it; if it is presented as a future concern, we talk on entirely different terms.."; "Politicized ODA gives an opportunity to access easy money in times of crisis. Of course politicized ODA has increased."; ""common concern" is something that enables to "sell" an issue: for example, with increased travelling health becomes a "common concern"" (CONCORD, European Workshop, Introduction Speech). However, according to the NGO sector, **this self-interest should remain as an "enlightened self-interest"** (CONCORD, European Workshop, British representative) and not leap into the dangerous grounds of self-interest. Dambisa Moyo, on the other hand, believes that **development cooperation can and should be donor self-interest-driven to commit donors** for achieving better goals: "The mistake the West made was giving aid for nothing. The secret of China's success is that its foray into Africa is all business. The West sent aid to Africa and ultimately did not care about the outcome" (Moyo, 2009: 152).

### **Relationship between the aid-donor & aid-recipient**

Concepts of partner country ownership, conditionality, and donor country self-interest lead to complicated and hard-to-define relationships between the aid-donor and aid-recipient. **Close partnership**, i.e. communication and cooperation, is seen as **an important cornerstone** for a successful development assistance policy. Furthermore, whenever possible partner country's systems should be used to reduce transaction costs, improve sustainability and increase partner country ownership (EC, *Aid Effectiveness after Accra*, 2009: 12). At the same time, one must keep in mind the growing risks of bureaucratization and aid effectiveness "fatigue" and, thus, move faster from rhetoric to action (Wood *et al*, 2008: xiv). There have been cases when donors, as well as recipients, have been in favour of using the donor country's systems to achieve faster and/or better

results (EC, *Aid Effectiveness after Accra*, 2009: 13). So, as long as the dialogue between the donor and recipient is democratic, ***in some cases it may be excusable to use donor country's systems, while the use of partner country's systems is seen as more favourable in practically all instances.***

### **Aid-donor's relationship with other donors**

According to the European Commission, there should be ***more coordination between donors***, as that will lead to economies of scale and, thus, ***efficiency gains***, saving up to EUR 3-6 billion of EU development assistance funds per year (EC, "Aid Effectiveness"). EU aid should be more coordinated to reduce transaction costs which are increased by (1) large overhead costs, (2) duplication of efforts, (3) often donor-driven (political interests), and (4) tied aid (procurement). Essentially, this type of coordination brings us again back to the discussion about the different advantages and disadvantages of large-scale and small-scale development assistance interventions. Similar to project coordination, also coordination between different donors is necessary, ***however***, that does not mean that coordination in terms of ***up-scaling*** is the best solution; it ***brings along lesser choice, higher risks*** involved and top-down interventions that have limited reach till the grassroots level.

***Donors should cooperate*** with each other not only to coordinate their development assistance and reach economies of scale, but also ***to learn from each other***. Bicycle does not have to be invented twice. Some EU donors have extensive experience and sophisticated development co-operation tools at their disposal, there is no need for all the countries to go the same way, instead they can learn from each other. (EC, *Aid Effectiveness after Accra*, 2009: 23) While "helping" the partner, ***donors themselves should invest in their own upgrading, adjustment and learning*** for implementing better development co-operation policy (Wood *et al*, 2008: xv). Donors should also ***work on raising awareness about the importance of development cooperation in their own country to gain support*** for it and keep it in place even under the circumstances of a financial crisis. Learning and cooperation between donors in these terms also contribute to a better development co-operation policy.

### **Goal/focus**

Having scrutinized *how* development assistance should be provided, now it is important to define *what* development cooperation intends to provide. In essence, ***all approaches want to achieve sustainable and independent development of the partner countries***, thus, leading to a better and more secure world. What differ are the views on how to achieve this goal. There has been a shift away from a focus on economic growth as the main goal to other means for achieving sustainable development. For instance, currently the ***EU's goal for ODA is poverty reduction within the MDG framework*** (CONCORD European Workshop, Guido van Hecken, European Parliament's Development Committee secretariat, 28 May 2010). Therefore, it is seen that a good development cooperation policy is concerned with the 8 points stipulated by the Millennium declaration (see Table II).

Amartya Sen, on the other hand, believes that donors do not necessarily have to target the Millennium Development Goals. What they should do is to help lifting the existing unfreedoms in the developing countries that disable partner countries and their inhabitants to bear full responsibility about their own development. "There is a deep complementarity between individual agency and social arrangements" (Sen, 2001: xii) and, since "the agency role of the individual as a member of the

public and as a participant in economic, social and political actions (varying from taking part in the market to being involved, directly or indirectly, in individual or joint activities in political and other spheres)." (Sen 2001: 19) intervention from outside can help the poor to help themselves. Sometimes, to lift these unfreedoms, one must, for instance, invest in education, which also is one of the MDGs, but, in order to secure better ownership, commitment and long-term effects, donors, in close cooperation with the partner countries, should rather concentrate on lifting these unfreedoms. **The freedom-based approach generally strives for increased human agency.**

Collier offers a somewhat different approach rather **emphasizing the need to lift unfreedoms faced by the countries, not individuals.** The international community should intervene only when a poor country has fallen at least in one of the following traps that prevents it from sustainable development: (1) conflict, (2) natural resources (subjected to the Dutch disease), (3) landlocked with bad neighbours, (4) badly governed. When this is the case, according to Collier, aid and trade will not be sufficient. By use of technical assistance (in Collier's eyes, at initial stages of country development providing scholarships for locals will rather contribute to brain drain than anything else), selected military interventions and promoting checks and balances for democracy (Dutch disease is survivable when there is a strong free press), Collier intends to set the country on a sustainable development path.

### Accountability

A great way to **ensure that the development cooperation policy is good** is to **keep the policy planners accountable.** Accountability can be demanded from three groups of stakeholders: the donor country's tax payers, the recipient country and some sort of international governance body. According to Easterly, **accountability that matters is accountability to the poor** (Easterly, 2006: 370), they are the ones that have the most at stake. However, due to problems related to development ownership, differing capacity levels and strength of the civil society, accountability has remained mainly within the donor country, further undermining recipient country's ownership of its own development.

**Monitoring, evaluation and transparency serve as a basis for accountability. Monitoring has an advantage of not needing to be independent** (Kliest, 3 Dec 2009), therefore, it can be conducted even by donors with small budgets. Still, as monitoring does not ask the *Why?* question, it is not sufficient and evaluation is necessary. **Evaluation should be independent** ("resources spent on *self-evaluation* are wasted resources" (Easterly, 2006: 370)) and **include surveys of the poor** (Easterly, 2006: 381). Since this would ensure independency and detect the most urgent needs of the partner country, partner-led evaluation is an ultimate goal in this field (Kliest, 3 Dec 2009). Unfortunately, at the moment, fewer than ten per cent of the recipient countries have a sound framework for assessing development cooperation (Kremer *et al*, 2009: 20), thus making a close cooperation between the donor and recipient indispensable. In the field of evaluation, **project and programme evaluation have an advantage of being less of a politically contested area**, therefore making them easier to implement and publish (Kliest, 3 Dec 2009).

In order **to keep the development assistance implementers accountable and allow its partners to plan development, donors must conduct their work in an absolutely transparent manner** and make all the agreements, policy documents, protocols and evaluation publicly available (CONCORD, AidWatch, 2010: 16).

## Aid Inflation

The CONCORD prepared *AidWatch* report talks a lot about aid inflation and tries to detect and disregard it as a bad development assistance practice. As aid inflation CONCORD sees climate finance, refugee costs within the donor country, debt relief, and scholarships for the students from partner countries studying in the donor country (CONCORD, *AidWatch*, 2010). Climate finance and refugee costs are seen as spending that should be accounted for in other fields of political activity, not development cooperation. Debt relief, on the other hand, is rather perceived as an obligation than an act of goodwill within the frame of development cooperation because the partner countries became indebted under unfair circumstances. As to student scholarships, they are seen to be rather contributing to brain drain than development and, therefore, should not be encouraged. Whether one agrees with the provided rationale, it is clear that ***the concept of aid inflation is provided to push on increased aid flows***. Therefore, while ***masking other types of government spending under the tag of development cooperation is inexcusable***, the question is, whether there is a need for increased aid flows.

Collier argues that increased aid flows are not always necessary because “statistical evidence generally suggests ***that aid is subject to what is called “diminishing returns.”*** That is, as you keep on increasing aid, you get less and less bang for the buck.” According to the Dutch Scientific Council for Government Policy, ***at most, development aid can act as a catalyst for development***, and even then under special conditions (WRR, 2010: 1). What matters more is the global processes in force to shape change, i.e. limit or offer new possibilities. The council believes that “development aid can play a role in bringing about responsible, sustainable globalization” (WRR, 2010: 2) and therefore the spending of 0.7% of national income on aid should be replaced “with a figure that also expresses what the Netherlands does in other fields relevant to development, such as care for public goods” (WRR, 2010: 4). ***Once the potential of development aid for helping to change international arrangements (that would lead to a more equal world) has been apprehended, such use of development assistance should be welcomed instead of discouraged by such labels “aid inflation”. However, this is a slippery path to take and should be closely observed and evaluated by independent bodies.***

## Effectiveness

It seems to be quite straight forward – a good development co-operation policy must produce beneficial effects; development efforts should not end in vain. “Effectiveness” as an attribute to a good development cooperation policy has been named by DAC, Paris Declaration (“managing for results”) and AAA. However, ***when “managing for results” it should be understood that not only observable results matter***. Not everything that help the poor is measurable (Easterly, 2006: 370-1). Besides, it becomes problem when aid agencies give priority not only to alleviating poverty but also to being seen doing this (Crespin, 2006: 436). ***There is a risk in “managing for results” that it can lead to “cream skimming”***, i.e. agencies picking projects that are expected to yield the most observable results (possibly even projects that would do fine without foreign assistance), therefore, defeating the purpose of development cooperation (Easterly, 2006: 370-1).

## Efficiency

Even more so than effectiveness, efficiency has its own costs and a risk of cutting some crucial but harder-to-observe aspects of good development assistance. For instance, the previously discussed

coordination of the EU aid would lead to efficiency gains but might lose its potential to produce better, more innovative development cooperation practices, undermine recipient country's ownership or limit its choice in choosing its partner. Still, ***efficiency is an attribute of a good development cooperation policy, but it should be considered very carefully, some efficiency gains are too costly and simply not worth it. Two "places", where it is relatively easy (or somewhat less risky) to attain efficient development, is at the "donor end" of the development cooperation management and by eliminating tied aid.***

### **Sustainability**

The ultimate outcome of development cooperation is independent and sustainable development in the hands of the developing country. Unfortunately sustainability is quite hard to ensure: "although it is important to provide social care from humanitarian perspective, it does not automatically lead to the fundamental changes which promote growth and development, and which gradually make countries and peoples self-sufficient." (WRR, 2010: 1) Therefore, ***donors, when planning their development cooperation policies, should pay extra attention to a design that promotes sustainable development and does not increase dependency;*** in case of a long-term and large-scale development intervention, exit policies should be well designed.

### **Initiative, motivation, commitment**

The issue of motivation has already come up in some of the previously discussed categories of attributes describing a good development cooperation policy, such as, ownership of development and longitude of the development assistance, thus, illustrating the importance of its (i.e. motivation's) presence in a successful policy that leads to sustainable development. Sachs saw a lack of funding as a factor negatively affecting motivation, Crespin sees it differently: "it is not a lack of funding that ***prevents (..) outcomes*** from being achieved but rather, ***a lack of interest from recipient governments and lack of capacity among local organizations***" (Crespin, 2006: 433). This, according to Sen can be linked to the problem of dependency because "***dependence*** on others is not only ethically problematic; it is also practically defeatist in ***sapping individual initiative and effort, and even self-respect***" (Sen, 2001: 283). Therefore, in a policy analysis, it is worth looking at "***enabling conditions***" for implementing a policy, such as the commitment and leadership being applied, the capacities to act and the incentives to do so (Wood *et al*, 2008: x-xi). People themselves must have (and, most likely, would like to have) the "responsibility for the development and change of the world in which they live" (Sen, 2001: 282). This sense of responsibility only comes when they have the agency to do something in order change the world they live in. ***Donors should help in expending people's agency, at the same time, preventing the risks of ruining already existing motivation mechanisms. For example, motivation can be negatively affected by large aid flows coupled with little partner country ownership or low accountability to the poor.***

## **Analysis: Assessing "Goodness" of Latvia's Development Cooperation Policy**

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### **Scale**

All Latvia's development aid is managed through projects and, indeed, the reason for this is limited capacity and funds at the disposal for Latvia's Development Cooperation Policy Division. The limited

budget implies not only small per-project spending but also careful consideration of the projects to be supported (Dumpe, 24 Feb 2010) and unaffordable (plus, arguably, “non-effective” (MFA *An Informative Intermediate Report*, 2008: 13) independent project evaluation. However, in the intermediate report of 2008, the MFA expresses its wish to narrow its development co-operation priority list and, thus, increase the financial value of the projects (Idem, 16).

Couple of potential advantages for small-scale development cooperation have been identified in the previous section: assistance based on (1) scientific evaluation and (2) free choice, as well as (3) diversity of actors that would promote (4) innovative solutions for development problems. While Latvia’s partnerships are based on free choice, there is no scientific evaluation for its interventions. Diversity of actors had been increasing with every year until 2009, when bilateral development assistance was almost entirely cut. In the ODA budgets for 2006 and 2007, there was a great emphasis on outsourcing development co-operation to non-governmental organizations (MFA, *An Informative Intermediate Report*, 2008: 10). Also municipalities, universities and the business community partake in Latvia’s development cooperation. There is no elaboration on the specifics of development solutions brought by the implemented development projects, but it is likely that different actors offer different (and new) approaches. It would be beneficial to share more information about the implemented projects so that the actors could learn from each other and the project quality could improve over time.

It is believed that small scale interventions lead to increased transaction costs, heavier bureaucratic burden for the partner country and wasteful use of resources. As Latvia’s assistance (due to the limited budget) is carefully selected (by involving independent experts) and based on free choice, it is subjected to only one of the small-scale assistance disadvantages, namely, increased transaction costs. However, provided that individual projects are successful, increased transaction costs, arguably, is a price worth paying for.

### **Implementation (top-down vs. bottom-up)**

Latvia’s development cooperation, as small-scale development co-operation, in order to achieve good results, should be implemented from bottom-up. Latvia’s grant competition application forms request an agreement for partnership from the project partner and a consent from the project’s intended target group. Apart from these signs of good intentions to encourage bottom-up approach, there is no analysis or any other piece of evidence suggesting that Latvia’s development co-operation really is implemented from bottom-up.

### **Durée (long vs. short)**

Predictable, long-term development aid flows are crucial when development assistance is used for budget support, SWAPs, programme-based approaches, or any other type of assistance that requires continuous investment. With its small-scale assistance this is not the case for Latvia and it makes sense to maintain short term disbursements, which Latvia always provides on a timely basis (Dumpe, 24 Feb 2010).

Besides, despite the short-term assistance, a succession between the projects can be observed, (Skujiņa (Representative of the Ministry of Justice), Consultative Committee for Development Cooperation, Minutes 14.10.2008: 4) thus, enabling short-term projects to achieve greater impact.

Latvia's development co-operation agency (once founded in future, as stipulated by the Law on International Assistance) will not take up commitments that are longer than 3 years (Law on International Assistance, 2008: 8.3.). In future these commitments will require well designed exit policies and other measures to avoid the risks of dependency.

### **Ownership**

With small-scale development assistance it is easier to grant *real* development ownership to the partner country. Particularly encouraged is state(donor)-to-NGO(recipient) approach, which in a sense is adopted by Latvian Embassies in its partner countries. Still, majority of Latvia's development assistance is outsourced through NGOs, municipalities, universities and businesses; therefore, it necessary to control whether the ownership principle is respected by the contractors.

If in future Latvia would chose the path of budget support, sector wide approaches or any other approach that requires a PRSP, it is worth investigating whether its partner countries have one. Apart from Afghanistan (which is put aside in this policy analysis) only Georgia (Republic of Georgia, 2003) and Moldova (Republic of Moldova, 2008) has one. If Moldova's PRSP is still up to date (the current one valid till 2011), the last Georgia's PRSP expired in 2005 with an additional progress report (Republic of Georgia, 2005) that provided some forecasts and goals up until 2008.

### **Conditionality**

According to the *AidWatch* report and Evija Dumpe, Latvia does not provide tied aid. As to other forms of conditionality, Latvia has adopted some „fundamental principles” in its policy. For instance, when applying for a grant at Latvia's Development Co-operation Policy Division, applicant has to tell how he is planning to ensure that his project is equally accessible to both genders as well as „prove” (by explaining how) that the project is going to be sustainable (MFA, Rules of Procedure for Organizing Grant Competitions, appendix 2, section7). At the same time, none of these conditionalities have clear indicators that would measure application of these principles in the projects financed with Latvia's development aid. A representative from Latvian NGDO platform LAPAS acknowledged that it is difficult to enforce such principles, as often they are against cultural norms and democratic practices (Representative of LAPAS, 25 Feb 2010).

### **Self-interest**

There are two types of self-interest in development cooperation that has been condemned, namely, tied aid and geopolitical interests. As mentioned previously, Latvia does not provide tied aid. Also geopolitical interests are somewhat limited. Being a relatively poor EU country, Latvia does not have big inflows of migrant workers; the only geopolitical interest that it might hold is to have “safe” neighbours.

To great extent Latvia's choice of its partner countries can be explained by its limited experience in the development co-operation field. A Latvian MFA representative recognizes that Latvia would have a hard time in competing with the more experienced Western NGOs operating in the African, Caribbean and Pacific states (quoted in Kāle, 2007: 53). Moreover, Evija Dumpe, the head of the Development Co-operation Policy Division, explained that it is important to have a good support point in order to manage development co-operation. Latvia does not have embassies in many developing countries, neither it has a long-standing experience with these states. In Georgia, Ukraine,

Belarus and Moldova it has an embassy. Furthermore, Latvia has a successful transition period experience that can be useful for these partner-countries (Dumpe, 24 Feb 2010).

As to other types of self-interest, Latvia is quite open about them in its Development Cooperation programme for 2005-2010: "Latvia should strengthen its role as a donor country", "development cooperation is a useful tool for foreign policy." Development cooperation, indeed, is seen as *cooperation* and Latvia wants to see benefits also for itself, mainly through strengthening trade relationships. There is little talk about "common concerns" (e.g. environment, health, safer world) and perhaps, therefore, there is very weak political will in Latvia's Parliament to deliver good development cooperation. In the given circumstances, development cooperation is seen as a demand from the EU that Latvia simply has to comply to. At most, it can serve as tool for improving trade relations and creating a better image of Latvia in the eyes of the EU and NATO. Luckily, within the Development Cooperation Policy Division there is a better understanding of what development cooperation is and why it is necessary.

### **Relationship between aid-donor & aid-recipient**

Latvia aspires to co-operate closely with its partner countries and, according to a policy implementation report written by Latvia's MFA department of development co-operation, is successfully doing this (MFA, *An Informative Intermediate Report*, 2008: 10). Latvia also requires to take into consideration partner country development plans. However, there is no account of Latvia attempting (or requiring project implementers) to use the country systems of the partner country.

### **Aid-donor's relationship with other donors**

Coordination between donors is encouraged due to increased efficiency gains that it can bring about. According to an MFA representative, Latvia has chosen closer neighbours as its partner countries because it lacks the knowledge and experience to compete with the old donors working in PAC countries (quoted in Kāle, 2007: 53); if Latvia was planning to enter, for instance, East Africa, coordination between donors would be much more important. At the same time, also in Latvia's partner countries there is a significant amount of aid-donor countries operating. There is a point in the grant competition application form where the applicant must provide information about linked or similar projects in the recipient country, but this is where the coordination of (or attempts to coordinate) Latvia's development assistance with other donors ends.

Cooperation between donors is also necessary in order to learn from each other. In 24 out of 106 development projects in the period from 2005 until 2009, Latvia has cooperated with another donor country. Besides, Latvia has participated in multiple seminars and workshops within the program TRIALOG, which is a teaching project for the new EU member state development cooperation platforms (LAPAS, *Management Report*, 2010: [4]). Still, as this type of cooperation is beneficial for all parties involved and desired by multiple old donor countries (CONCORD, European Workshop, Danish Representative), it should be further encouraged.

To strengthen Latvia as an aid-donor country in other donors' eyes, at first, it must strengthen this image (and, even more importantly, *role*) domestically by raising public awareness about the world dependency issues and, hence, building understanding about the need for development cooperation. Informed civil society will keep the government accountable and stick to its development cooperation commitments. The need for this has been illuminated in the light of the post-financial

crisis circumstances, when the government has cut bilateral aid. The existing efforts in this field are unsatisfactory.

### **Goal/focus**

According to Latvia's development cooperation programme its main spheres of activity are: good governance, economic reform, security, integration into transatlantic space and the EU, promotion of education and culture, social development, healthcare, and environment protection. Interestingly, only the last two – healthcare and environment protection – are directly linked to the MDGs. Besides, both of the topics have received relatively little attention: out of 106 projects in total only 5 have been linked to environment protection while not a single one was implemented in the healthcare sector. This is very peculiar because restructuring of healthcare systems within post-Soviet countries is a difficult task and more cooperation, particularly in a form of knowledge exchange should be encouraged (Akhvlediani, 23 March 2010).

Instead, Latvia's development co-operation policy is largely aimed at increasing agency of individuals by enhancing democratic practices. This is mainly done through technical assistance, or policy transfer. Even though democracy enhancement does not directly target MDGs, technical assistance aimed at increasing individual agency is a welcomed practice. First, technical assistance is the only type of aid that is not susceptible to the Dutch disease and corruption (Collier, 2007). Second, "The great bulk of development success in the Rest comes from self-reliant, exploratory efforts, and the borrowing of ideas, institutions, and technology from the West when it suits the Rest to do so." (Easterly, 2006: 363). Third, according to LAPAS, for Latvian society development cooperation that reduces Latvia's well-being will be unacceptable (LAPAS, Strategy for 2005-2010, 2005: 8). Therefore, Latvia's development co-operation should be based on relatively cheap and potentially effective knowledge-transfer (Dolowitz quoted in Reinholde, 2006: 263). However, these advances should be carried out with care: "Building a well-functioning judiciary system or a trustworthy and competent police force or national army, to give some examples, is something beyond the traditional scope of the aid community." (Kremer *et al*, 2009: 21)

### **Accountability**

Latvia for its development cooperation can be held accountable at three different levels, (1) domestically, by its (2) partner country and (3) internationally (i.e. the aid-donor community). At the moment, due to the consequences of the global financial crisis in 2008, domestically there is a close cooperation between the state and NGO sector, therefore decreasing the strength of domestic accountability mechanisms. There is no systematic way (apart from the free choice: to cooperate or not) for Latvia's partner countries to keep Latvia accountable. Internationally, Latvia is being watched upon by the EU and CONCORD. Nonetheless, these accountability mechanisms are limited because Latvia does not have independent evaluation of its development assistance.

Monitoring of development cooperation does not have to be independent; therefore, it is affordable even for small development cooperation budgets and should be conducted to keep development goals on track. Latvia's Development Cooperation Policy Division monitors its performance (e.g. intermediate report), but there is no data published on yearly or project reports. Neither Latvia's development co-operation policy nor implemented projects are followed up by an independent evaluation, thus making it impossible to objectively assess the "goodness" of its development cooperation. Without an independent evaluation all of the provided assessments are nothing more

than educated guesses that might turn out to be wrong. Under the given circumstances, the Development Cooperation Policy Division sees independent evaluation as too costly. Arguably, bad development cooperation for the partner country is more costly than no development cooperation; therefore, Latvia should seek for viable ways to provide independent policy evaluation.

Latvia has put in a lot of effort in ensuring transparency by publishing all the development-related policy documents on its website. However, due to the lack of evaluations, CONCORD has rated Latvia's transparency as overall "average" (CONCORD, AidWatch, 2010: 16).

### **Aid inflation**

In 2009, Latvia did not inflate its aid but there have been some problems with this item in the previous years. Latvia has included climate finance or debt relief in its ODA, but there has been money spent on student scholarships and refugee costs within Latvia's borders. On top of that, there have been some projects, whose development cooperation-like nature can be debated. For instance, in 2007, there was a knowledge exchange between Latvian and Belorussian historians, or, in 2008, 4 professors from Belorussia discussed EU matters in Latvia.

Even when not accounted for aid inflation, the quantity of Latvia's ODA has a far way to go until it will reach its international commitments or the "diminishing returns" that Collier writes about. Latvia must keep increasing its aid volumes.

### **Effectiveness**

Lack of independent project evaluation makes it impossible to estimate the impact of Latvia's development interventions. Still, Latvia expresses its concern for "managing for results" by requesting grant competition applicants to state the expected results and impact of the planned project. At the moment, development cooperation grants are relatively little contested, therefore, bearing a small risk of "cream-skimming". Nonetheless, in order to improve the effectiveness of Latvia's development cooperation, project evaluations is an invaluable tool.

### **Efficiency**

According to the latest AidWatch report (CONCORD, AidWatch, 2010), Latvia has not been detected to use tied aid for its development cooperation. In addition, three normative acts have been issued to stipulate the maximum spending allowed on Latvian experts visiting and advising its partner countries, thus, demonstrating Latvia's efforts in being more cost-efficient at the "donor end" of the development cooperation. Further measures to ensure efficiency have not been accounted for, however, the relatively low per-project spending and involvement of independent consultancy firms in grant application evaluation, indicate that most likely there is very little unnecessary spending.

### **Sustainability**

To assess whether Latvia's development cooperation produces sustainable outcomes, independent project evaluation is indispensable. While, due to the absence of project evaluations, it is impossible to measure the effects, policy papers reflect Latvia's concern with sustainable outcomes of its development assistance. For example, when applying for a grant at Latvia's Development Cooperation Policy Division, applicant has to provide information on (a) whether the partner has the necessary technologies, (b) how many partners are involved in the project, (c) estimate its capacity to

continue work after the termination of the project as well as (d) check compatibility with the specific social, cultural and natural environment. All this is demanded in order to grant some sustainability to the projects supported with Latvia's ODA (MFA, Rules of Procedure for Organizing Grant Competitions, appendix 2, section7).

### **Initiative, motivation, commitment**

As far as it is possible to judge without thorough and independent project evaluations at hand, Latvia's development cooperation seem to be of little harm to the partner country motivation for improving their own development. Latvia's small-scale assistance does not contribute to the partner country dependence on others and rather helps to develop capacity among local organizations. Latvia's development cooperation policy (for instance, by organizing summer "schools") offers a platform for different partner and Latvian organizations to meet, exchange knowledge and cooperate. This kind of partnership improves organization agency and motivation.

While grant competition application forms do not ask for an analysis of "enabling conditions" it does ask to analyze the potential threats to successful implementation of the project and, if the applicant is a Latvian organization, requires a letter from its partner organization to prove partner's commitment for better results and target group's willingness to participate. Furthermore, Evija Dumpe, the head of MFA's Development Cooperation Policy Division, recalls cases when former Latvia's development cooperation partners have phoned the Development Co-operation Policy Division to inquire whether there are going to more opportunities to cooperate, thus, illustrating the partner motivation to work for development together with Latvia.

## **Conclusion & Policy Recommendations**

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"Aid-providing at EU level is seen as a non-military means of peace and stability promotion in the world, which is consistent with the "civilian power" role the EU plays in the international arena" (Kāle, 2007: 1). Of course, Latvia, as a new EU member state, has to comply with these rules but that does not necessarily imply the massive up-scaling that the EU interpretation of the Paris Declaration and AAA entails. While taking into consideration lessons learnt from other countries, it might be "healthy" for Latvia to discover for itself what development co-operation is and, perhaps in some ways, set a good example. If Latvia will not have its own freedom in experimenting, it might not fully develop its potential in the envisaged system of division of labour. Latvia, first of all, must find its own niche and understand the fundamentals of development cooperation.

Latvia's development cooperation has taken up a distinct character; it is based on small-scale, short-term development cooperation interventions that, mainly by means of knowledge exchange, intend to enhance democracy and agency of an individual. Despite the fact that this approach is not directly linked either to the MDG framework or the changes initiated by the EU to adapt the Paris Declaration and AAA, it has its own advantages. Under the Latvian circumstances, where the NGDO sector and development cooperation practices are in the process of self-development, small-scale development assistance might be the best solution. Small-scale interventions are the most open to experimenting, learning and innovation; besides, they involve fewer risks, do not contribute to creating dependency, and provide easier opportunities to grant partner country ownership. However, if Latvia decides to stick to this model, it should (1) improve its accountability mechanisms

to the poor, whenever possible, (2) use partner country's systems, and make sure that its (3) approach remains bottom-up. Furthermore, Latvia's offered partnership should remain (4) based on free choice and, despite its alleged (or to-be-acquired in future) "expertise" on democracy enhancement, (5) should not forget that the true owners of the development are partners.

There are further points of improvement for Latvia's development cooperation policy. First of all, Latvia must improve its monitoring and, particularly, evaluation mechanisms. There are some relatively inexpensive ways to achieve this: Latvia could (a) involve its partner countries in the evaluation process, (b) involve university students, (c) cooperate with another, wealthier donor that already has an independent development cooperation evaluation body, or (d) have an agreement with Estonian and Lithuanian development cooperation agencies to check on each other, thus, keeping evaluation within the Development Cooperation Policy Division (minimal extra expenses) and having it independent. Secondly, Latvia should work on developing its development cooperation capacities instead of developing its image as donor aid country. In order to do this, before going abroad, many things should be changed domestically. Latvia should (a) create a better understanding (among the population at large, as well as, politicians) of the importance of development cooperation, (b) learn from the projects that have been implemented in past (if evaluations are not available, at least short "lessons learnt" from previous projects should be made publicly available; this will lead to a better policy in the long run), and (c) learn from more experienced donors by reading their evaluation reports and cooperating with them in trilateral projects. Thirdly, Latvia should still keep an eye on conditionality and aid inflation: (a) when engaging with businesses, it should be careful with the potential threats of tied aid, (b) decide which "general principles" it should and which should not perceive as conditionality, and (c) be careful not to inflate its aid with projects that cannot qualify as development cooperation.

For now, Latvia, is making important and relatively successful steps towards becoming a donor country. While the bilateral and trilateral aid flows are small, Latvia should examine its projects very closely and absorb every single lesson that it can learn. This is Latvia's opportunity to acquire the necessary competences and find its own niche. However, once the aid flows will increase, many of the existing development cooperation mechanisms will have to be reconstructed.

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